

MAR 16 1954

MEMORANDUM FOR: Special Assistant/DDI (NSC)

SUBJECT: Comments on Memorandum for the NSC Planning Board of March 9, 1954 --
Barter of US Agricultural Surpluses
for Non-Perishable Soviet Materials

The ONS comments on the subject paper are listed below for your consideration.

I. Major Comments

A. We believe that points (b) (1) and (b) (11), on page 8, are overstated. We do not believe that approval of the amount of butter exports contemplated would confront the Kremlin with a serious dilemma. Nor do we feel that these exports might alleviate current distress to the extent of lessening the resistance of the Iron Curtain people to Kremlin rule. Our position on this seems to be supported by the attached estimate of the Board of National Estimates.

B. In paragraph 30, on page 9, it is suggested that the words relating to platinum "known to be available" be changed to read "known to be offered for sale." Also it is suggested that the term "platinum" be changed to read "platinum group metals" or that the paragraph indicate that this group not only includes platinum itself but palladium and iridium.

C. In regard to Section VIII, beginning on page 11, it is felt that paragraph 35 (b) is not sufficiently emphasized. While this point is not a part of ONS's responsibility, we feel it should be noted that the whole postwar foreign economic policy of the US has been strongly opposed to this

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type of transaction as reflected in our position on the General Agreement on Tariffs and Trade (GATT) and numerous other arrangements and negotiations. Therefore if we adopt this type of state trading barter arrangement, we will have a public relations problem of a different sort, namely that of rationalizing the US position to our Allies.

II. Minor Points

- A. Paragraph 34 (a), page 11. This advantage would accrue regardless of whether the exchange were barter or any other type of exchange.
- B. Paragraph 35 (a), page 11. The word "cash" should be changed to "monetary" in order that this not be misleading or too restrictive.
- C. Page 13, the notation of "Dollars to the Soviet Bloc for Dollars or Gold" is somewhat misleading in that if there is a commercial transaction it will be for dollars although the Soviets may have to give up gold to obtain these dollars.
- D. Paragraph 41, page 14, "cash transactions" should be changed to read "commercial transactions."
- E. Page 17, this obviously includes only recorded trade.
- F. In many respects it is unfortunate that this study was limited to exchange of US agricultural surpluses for "non-perishable materials" from the Soviet Bloc in that anything we might acquire for these surplus items currently spoiling in the US would be to our advantage whether perishable or non-perishable. The pros and cons of the barter exchange does not leave the reader with any strong feeling one way or another, whereas it would seem that the weight of argument is against such an exchange.

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G. Conclusion. Likewise the conclusions on page 4 do not seem to be very definitive.

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OTTO E. GUTHIE
Assistant Director
Research and Reports

Attachment (1)
As shown above

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OCh/C/RR: [REDACTED] dp
(16 March 1954)

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